

TAN CHONG MOTOR HOLDINGS BERHAD • Annual Report 2005



**TAN CHONG MOTOR HOLDINGS BERHAD**  
(12969-P)

A N N U A L R E P O R T 2 0 0 5



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Thirty-Fourth Annual General Meeting of  
**TAN CHONG MOTOR HOLDINGS BERHAD**  
will be held at the Grand Ballroom,  
Grand Seasons Hotel, 72 Jalan Pahang,  
53000 Kuala Lumpur, Malaysia on Thursday,  
18 May 2006 at 3:00 p.m.



## Corporate Information

### Directors

Ahmad bin Abdullah  
*Vice Chairman*

Dato' Tan Heng Chew JP, DJMK  
*Executive Deputy Chairman*

Tan Eng Soon  
*Group Managing Director*

Azman bin Badrillah

Dato' Ng Mann Cheong DSSA, SMP, JP

Dato' Haji Kamaruddin @  
Abas bin Nordin DSSA, KMN

Seow Thiam Fatt

### Audit Committee

Seow Thiam Fatt  
*Chairman*  
*Independent Non-Executive Director*

Dato' Ng Mann Cheong DSSA, SMP, JP  
*Independent Non-Executive Director*

Dato' Haji Kamaruddin  
@ Abas bin Nordin DSSA, KMN  
*Independent Non-Executive Director*

### Company Secretary

Yap Bee Lee

### Registered Address

62-68 Jalan Ipoh  
51200 Kuala Lumpur  
Telephone : (03) 4047 8888  
Facsimile : (03) 4042 8636  
E-mail : tcmh@tanchong.com.my

### Registrars

Tenaga Koperat Sdn Bhd  
20th Floor Plaza Permata  
Jalan Kampar, Off Jalan Tun Razak  
50400 Kuala Lumpur  
Telephone : (03) 4041 6522  
Facsimile : (03) 4042 6352

### Auditors

KPMG

### Listing

Bursa Malaysia Securities Berhad  
(Listed on the Main Board on 4 February 1974)

## Business Divisions

### Assembly

- Motor Vehicles

### Sales and Distribution

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses

### After-Sales Services

- Spare Parts
- Workshop

### Financial Products and Services

- Hire Purchase
- Insurance
- Money Lending

### Property

- Management and Investment

# Report of the Board of Directors

## Laporan Lembaga Pengarah



On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the Tan Chong Motor Group and of the Company for 2005.

### Highlights

For another consecutive year, new motor vehicle registration in Malaysia in 2005 accelerated further by recording a remarkable 13% improvement to 551,042 registrations from 487,605 in the previous year (source: Malaysian Automotive Association or MAA). The robust motor vehicle sales were driven by newly introduced models from the national and non-national makes and re-entrance of some former makes.

The Group's vehicle sales in 2005 grew by 15% to 28,085 units from 24,448 units the previous year despite a very competitive market environment. The increase in sales volume was driven by a consistent market demand for our Nissan Frontier sports utility truck (SUT) and Nissan Sentra amongst a fairly wide spread of vehicle variant available in the Malaysian market. Besides the products line-up, our commitment in strengthening the Group's sales and after sales network and personnel contributed to the commendable sales growth in the current year.

*Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan dan Syarikat Tan Chong Motor bagi tahun 2005.*

### Maklumat Penting

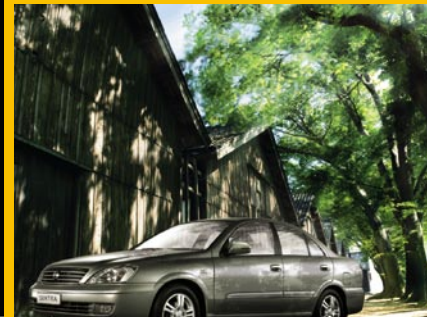
*Untuk satu lagi tahun berturutan, pendaftaran kenderaan bermotor baru di Malaysia pada tahun 2005 telah mencatatkan peningkatan yang baik sebanyak 13% kepada 551,042 pendaftaran berbanding dengan 487,605 pada tahun sebelumnya (sumber: Persatuan Automotif Malaysia atau MAA). Peningkatan penjualan kenderaan bermotor dipacu oleh pengenalan model-model baru oleh pengeluar-pengeluar tempatan dan luar negara serta kemasukan semula sesetengah bekas pengeluar.*

*Jualan kenderaan bermotor bagi Kumpulan telah meningkat sebanyak 15% kepada 28,085 unit berbanding dengan 24,448 unit pada tahun sebelumnya walaupun keadaan pasaran adalah sangat kompetitif. Peningkatan pada jumlah jualan dipacu oleh permintaan pasaran yang konsisten terhadap Nissan Frontier, sebuah Trak Utiliti Sukan (SUT) dan Nissan Sentra di kalangan rebakan varian kenderaan bermotor yang agak luas di pasaran Malaysia. Selain daripada rangkaian produk-produk, komitmen kami dalam memperkukuhkan rangkaian jualan dan lepas jualan serta kakitangan telah menyumbang kepada pertumbuhan jualan yang baik pada tahun ini.*

**YOUR RECOGNITION IS OUR HONOUR. THANK YOU FOR MAKING US NUMBER ONE**

**SALES SATISFACTION INDEX (SSI) NO. 1 AWARD 2005 BY J.D. POWER** is recognition for the highest rank in satisfying customers with the vehicle sales and delivery process in Malaysia. Overall satisfaction is measured based on performance in six factors covering the different aspects of the sales experience. In order of importance, they are: delivery process, delivery timing, salesperson, showroom facility, paperwork and deal.

**CUSTOMER SATISFACTION INDEX (CSI) NO. 1 AWARD 2005 BY J.D. POWER** is recognition for the highest rank in customer satisfaction with authorized dealer after-sale service in Malaysia. Overall customer satisfaction is measured by dealer performance attributes, which are grouped into seven CSI factors (in order of importance): Service quality, problems experienced, user-friendly service, service experience, service advice, service initiation and service delivery.



 EDARAN TAN CHONG MOTOR SDN. BHD. (220669-H)  
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SHIFT. the future 

With continuous team work and dedication of the sales, service and production staff as well as those in supporting functions, Nissan was ranked No.1 in Customer Satisfaction Index in after-sales service and for a second consecutive year, highest in Sales Satisfaction Index in vehicle sales and delivery process in studies conducted in Malaysia by J.D. Power Asia Pacific, the reports of which were released in June 2005 and July 2005 respectively. In addition, our Nissan Frontier 4 x 4 model was ranked No.1 in J. D. Power Asia Pacific 2005 Malaysia Initial Quality Study (IQS) for pick-up segment which measures new vehicle quality in the first two to six months of ownership. Following these successes, we were awarded the prestigious 2005 Global Nissan Sales & Service Way Award by Nissan Motor Co Ltd, Japan for the second consecutive year in recognition of our outstanding performance. These awards will serve to motivate us further to achieve greater heights in total customer satisfaction.

The appointment of Edaran Tan Chong Motor Sdn Bhd (ETCM) as the franchise holder of Nissan Motorsports (NISMO) in Malaysia during the year marked the beginning of NISMO's operations in Malaysia where genuine NISMO performance parts and merchandise are made available to all Nissan owners and motor sports enthusiasts at selected ETCM 3S centres.

In tandem with higher sales volume, revenue for the current year ended 31 December 2005 of RM2.95 billion was 24% higher than that achieved during the corresponding year of 2004. Profit before tax for the year marginally increased to RM183.35 million from RM181.87 million recorded in 2004 mainly due to higher marketing cost.

*Kerjasama dan dedikasi daripada tenaga kerja jualan, perkhidmatan dan pengeluaran serta kakitangan yang bertugas dalam fungsi sokongan membolehkan Nissan mendapat tempat pertama dalam Index Kepuasan Pelanggan (CSI) dari segi khidmat lepas jualan dan bagi tahun kedua berturut-turut, tempat tertinggi dalam Index Kepuasan Jualan (SSI) dari segi proses jualan dan bekalan kenderaan mengikut kajian yang dibuat oleh J.D. Power Asia Pacific di Malaysia dan dilaporkan pada Jun 2005 dan Julai 2005 masing-masing. Tambahan pula, model Nissan Frontier 4 x 4 mendapat kedudukan pertama di Kajian Kualiti Awal J. D. Power Asia Pacific 2005 (IQS) bagi segmen 'pick-up' yang memantau kualiti kenderaan baru untuk tempoh dua hingga enam bulan yang pertama selepas pemilikan. Berikutan kejayaan ini, kami telah dianugerahkan Global Nissan Sales & Service Way Award oleh Nissan Motor Co Ltd, Jepun untuk tahun kedua berturut-turut dalam pengiktirafan prestasi cemerlang kami. Anugerah berprestij ini akan menjadi sumber motivasi kami untuk mempertingkatkan pencapaian kami dalam memberi kepuasan kepada pelanggan secara keseluruhan.*

*Perlantikan Edaran Tan Chong Motor Sdn Bhd (ETCM) sebagai pemegang francais Nissan Motorsports (NISMO) di Malaysia pada tahun ini menandakan operasi awal NISMO di Malaysia, di mana bahagian dan barang niaga yang berprestasi sudah sedia ada untuk semua pemilik kenderaan Nissan dan peminat kenderaan sukan di pusat-pusat ETCM 3S yang terpilih.*

*Sejajar dengan peningkatan jumlah jualan, hasil bagi tahun kewangan berakhir 31 Disember 2005 sebanyak RM2.95 bilion adalah 24% lebih tinggi berbanding dengan hasil yang dicapai pada tahun sepadan 2004. Keuntungan sebelum cukai pada tahun ini meningkat sedikit kepada RM183.35 juta berbanding RM181.87 juta pada tahun 2004 yang diakibatkan oleh kos pemasaran yang tinggi.*

### Production Capacity Expansion

In 2005, the Group invested approximately RM15 million to upgrade its existing plant located in Segambut, Kuala Lumpur as part of the Group's continuous efforts to improve product quality and efficiency in assembly operations to meet the near term production requirements of the Group.

To gear up for the next growth phase in production, the Group will further invest in a new assembly plant which will be constructed on a piece of 47 acres of land owned by the Group in the district of Serendah, Selangor. The detailed technical specification studies and design activities for the new assembly plant has been carried out with close supervision and assistance of Nissan Motor Co Ltd. The new plant will meet the Nissan Production Way and incorporate the advanced technologies and assembly processes from Nissan. Based on the final plant design and equipment specification, the total project cost for the plant is estimated at RM191 million. Construction works for the new plant has commenced and it is expected to be ready for production in the second quarter of 2007. Our new models line up will be assembled and rolled out from this new plant.

### Review of Results

#### Nissan passenger and light commercial vehicles

Nissan sales performed well in 2005 with a 12% growth to 24,553 units compared to 21,853 units in the previous year in a very competitive market environment. The year also saw the successful introduction of the Nissan Urvan, a versatile 14-seater van and the brand new facelift versions of the X-Trail, Cefiro and Sentra.



Renault Grand Scenic

### Perluasan Kapasiti Pengeluaran

*Pada tahun 2005, Kumpulan telah melaburkan kira-kira RM15 juta untuk menaikkan taraf kilang yang sedia ada di Segambut, Kuala Lumpur. Ini merupakan sebahagian daripada usaha berterusan Kumpulan untuk meningkatkan kualiti produk dan kecekapan dalam operasi pemasangan, bagi memenuhi keperluan pengeluaran Kumpulan pada masa depan.*

*Untuk bersiap sedia bagi fasa pertumbuhan seterusnya, Kumpulan membuat pelaburan di dalam sebuah kilang pemasangan baru yang akan dibina di atas sebidang tanah seluas 47 ekar di daerah Serendah, Selangor. Kajian spesifikasi teknikal yang terperinci dan aktiviti mereka-bentuk untuk kilang pemasangan baru ini telah dijalankan melalui penyeliaan rapi dan bantuan Nissan Motor Co Ltd. Kilang baru tersebut akan mematuhi Nissan Production Way dan dilengkapi dengan teknologi terkini dan proses pemasangan daripada Nissan. Menurut reka-bentuk dan spesifikasi peralatan kilang yang muktamad, jumlah kos projek dianggarkan sebanyak RM191 juta. Kerja-kerja pembinaan untuk kilang baru telah bermula dan dijangka akan siap pada suku kedua tahun 2007. Rangkaian model-model baru kami akan dipasang dan dikeluarkan daripada kilang baru ini.*

### Tinjauan Keputusan

#### Kenderaan penumpang dan perdagangan ringan Nissan

*Jumlah jualan pada tahun 2005 mencatatkan peningkatan sebanyak 12% kepada 24,553 unit di keadaan pasaran yang sangat kompetitif berbanding 21,853 unit pada tahun sebelumnya. Pada tahun ini, kami juga mencapai kejayaan pengenalan Nissan Urvan, sebuah van serba boleh 14-penumpang muatan dan versi terbaru X-Trail, Cefiro dan Sentra.*



Nissan Cefiro